ACTION OES-00

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INFO	LOG-00	AID-00	AMAD-00	CIAE-00	COME-00	INL-00	DODE-00
	DOTE-00	DS-00	EAP-00	EB-00	EUR-00	FAAE-00	UTED-00
	FEMA-01	HHS-01	H-00	TEDE-00	INR-00	IO-00	LAB-01
	NSAE-00	NIMA-00	EPAU-00	PM-00	GIWI-00	DOHS-00	SP-00
	IRM-00	SSO-00	SS-00	TRSE-00	FMP-00	R-00	EPAE-00
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FM AMEMBASSY PARIS
TO DEPT OF HHS WASHDC IMMEDIATE
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SENSITIVE

FOR DEPUTY SECRETARY AZAR;
HHS FOR INTL STEIGER, BUDASHEWITZ; STATE FOR OES/IHA; EUR/WE

E.O. 12958: N/A
TAGS: TBIO, PREL, ECON, SOCI, FR
SUBJECT: SCENESETTER FOR PARIS VISIT HHS DEPUTY SECRETARY AZAR

1. (SBU) I warmly welcome you to Paris to meet with Health Minister Bertrand and sign a Memorandum of Understanding with the President of Institut Pasteur, Professor Alice Dautry. The Embassy works closely with the Ministry of Health on a range of matters, including avian flu, AIDS and the Global Fund, and biomedical research, as well as Institut Pasteur, and your meetings with the Minister and Professor Dautry will cement those ties. I plan to accompany you to both events.

Avian Flu Preparations
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2. (SBU) Former HHS Secretary Thompson visited Paris in December 2004 to attend a meeting of the Global Health Security Initiative hosted by then Health Minister Douste Blazy. In a reshuffling of French cabinet portfolios in May 2005, Douste Blazy became Foreign Minister and Bertrand moved up within the Health Ministry to become Minister. In late August, I called on Bertrand to encourage French government participation in the International Partnership on Avian Pandemic Influenza (IPAPI). Bertrand raised a number detailed questions regarding avian flu preparedness in the

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United States. While meetings of experts on this subject have taken place since, I expect Bertrand to re-engage on his top priority, preparation for an avian flu pandemic. Prior to your meetings on Monday, our Country Team, chaired by Deputy Chief of Mission Karl Hofmann, looks forward to briefing you on aspects of our own preparations against a pandemic, and U.S.-French issues of interest to you.

Pre-elections Political Setting
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3. (SBU) You will be visiting a France grappling with political, economic and social challenges at a time of international uncertainties connected with the Middle East, and globalization. The political context is defined by maneuvering on the center-right and the center-left in advance of the 2007 presidential elections. French popular rejection of the largely French-inspired EU constitutional treaty last May, combined with the unrest in the suburbs of late autumn, has spurred a lively debate about France's economic and social models and its influence in an enlarged European Union. The jockeying among the political parties -- between PM de Villepin and Interior Minister Sarkozy within the UMP governing party, and among a plethora of candidates in the Socialist Party -- to succeed one of France's longest-serving politicians, combined with France's two-round election system, have rendered the outcome of the presidential nomination races more open than ever before. Notwithstanding Chirac's lame-duck status, he retains considerable power and prerogatives, especially in the foreign policy area, and remains interested in burnishing his legacy.

Unrest in the Suburbs
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4. (SBU) The three weeks of unrest last autumn caused many to wonder about the nature of its origins. It is true that most of the perpetrators of the urban unrest were of Arab-African and Black-African descent, members of France's racially distinct, recent immigrant underclass. They were also predominately Muslim, by culture if not religion. However, there is general agreement that unemployment and lack of opportunity were the primary factors underlying the angry actions of these youths. Discrimination was also a factor. However, no links were found between the violence and Islamic extremism; the youths did not act on any "Islamic identity," nor were Islamic political groupings viewed as being behind the violence. Moreover, the unrest manifested itself almost exclusively through acts of property

destruction (primarily of cars, but also of some public buildings), but not individuals; only one death was attributed, indirectly, to the unrest.

The Economy and Reform

5. (U) During the past few years, the French economy has sputtered along with low GDP growth rates (1.1% in 2002, 0.5% in 2003, 2.1% in 2004, and 1.7% estimated in 2005), high deficits (3.6% budget deficit as percentage of GDP in 2004), high central government public sector debt (estimates range from 66% to 110% of GDP in 2005, depending on the accounting method), and high unemployment hovering around 10%. Structural issues such as the 35-hour work week, rigid labor laws, and the disruptive role of unions have made economic reform a political hot potato. The large size of the government, high taxes, and France,s aging population further complicate the economic picture.

6. (U) Prime Minister de Villepin has taken credit for the slow but steady decrease in the unemployment rate, which by November had fallen to 9.6% from its peak of 10.2% in March through May 2005. However, the private sector accounts for only a small portion of this decline. French fears of high unemployment have resulted in less helpful policy making, as the GoF feels pressured to showcase 'economic patriotism' as a means to demonstrate that it is protecting French jobs.

7. (U) The PM is proceeding slowly with privatization, selling off bits of the national electricity and the gas utility companies, as well as some toll-roads concessions. In September, he announced plans for social economic growth, postponing promised income tax cuts (a Chirac campaign pledge) until January 1, 2007.

Pharmaceuticals Sectors/Pricing

8. (U) The roughly 300 pharmaceutical companies in France, employing 18,500 and spending USD 3.5 billion in R&D, have annual sales of USD 41 billion, of which USD 17 billion are exports. Imports are about USD 10 billion. Almost all top U.S. firms (Pfizer, Abbott, etc.) have a presence in the French market, and many have research facilities. French firms account for only 40 percent of local production. France ranks third worldwide in sales, behind the U.S. and Japan. Drugs represent about 22 percent of health care

spending. As part of a policy of containing health care costs, government intervention has led to prices generally lower than in unregulated European markets such as Germany or the UK. Nevertheless, French OTC drugs, with 8 percent of the market, represent one of the smallest market shares in Europe, although it is growing. Virtually the whole population is covered by medical insurance that reimburses 65 percent of total pharmaceutical sales, though reimbursement rates vary by category of drug, from zero to 100 percent. The French government views pharmaceuticals as a key industry, hence its aggressive support of SanofiSyntholoabo in 2004 to buy Aventis to "save" it from the Swiss Novartis.

Public Affairs Environment
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9. (SBU) The outreach to Europe by the President and Secretary of State Rice early in 2005 laid the foundations for a more favorable public affairs climate in France, and French people continue to manifest their traditional like for Americans. U.S.-European and U.S.-French common positions on several hot-topic areas, such as Lebanon, Syria, and Iran, have reinforced the positive with concrete examples of the U.S. and Europe working together to solve global and regional problems. While much general anti-Americanism, especially as it relates to images of U.S. values and society, can be linked to France,s own malaise, France,s opinion joins much of the rest of Europe in specific areas, and lingering negative notes are sounded by many media and some opinion leaders in public fora. Hurricane Katrina offers critics new examples of a society of inequality. Skepticism about U.S. international participation in the interest of 'greater' common good appears often, and our failure to join Kyoto protocol closes ears to the many areas where the U.S. is leading in environmental problem-solving. Guantanamo and the recent stories of CIA secret prisons and 'outsourcing' of torture filled pages, and reinforced negative perceptions of U.S. policy in Iraq and general non-adherence to international law and norms.

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Stapleton

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